

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**LOS ANGELES COUNTY'S EFFORTS
TO ACCOUNT FOR THE USE OF
PUBLIC HEALTH PREPAREDNESS AND
RESPONSE TO BIOTERRORISM
PROGRAM FUNDS AND
MONITORING OF SUBRECIPIENTS**

**LOS ANGELES COUNTY
DEPARTMENT OF HEALTH SERVICES**



**OCTOBER 2003
A-09-03-01022**

Office of Inspector General

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General

Office of Audit Services
Region IX
50 United Nations Plaza, Room 171
San Francisco, California 94102

October 1, 2003

Report Number: A-09-03-01022

Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer
Los Angeles County Department of Health Services
313 North Figueroa Street, Room 912
Los Angeles, California 90012

Dear Dr. Garthwaite:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General's final report titled, "Los Angeles County's Efforts to Account for the Use of Public Health Preparedness and Response to Bioterrorism Program Funds and Monitoring of Subrecipients."

Our objectives were to determine whether the Los Angeles County Department of Health Services (LA County): (i) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements and (ii) established controls and procedures to monitor subrecipients' expenditures of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether bioterrorism program (Program) funding was used to supplant funds previously provided by other sources.

Based on our validation of the questionnaire completed by LA County, we determined that LA County generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines. Although LA County recorded and summarized transactions by specific focus area, LA County did not properly report the Program expenditures to CDC for the two reporting periods ended August 30, 2000 and 2001. Specifically, the Financial Status Reports filed by LA County included amounts disbursed throughout the year and amounts obligated at year-end even though final Financial Status Reports should show actual amounts expended with no outstanding obligations.

LA County had established a system to track and monitor subrecipient activities, developed checklists for monitoring subrecipients, and trained staff to perform the reviews. However, at the time of our site review, no reviews had been made because the subrecipients were generally in the planning stage. LA County officials told us it had scheduled site visits to its subrecipients to begin in August 2003.

In response to our inquiry as to whether LA County reduced funding to existing public health programs, LA County officials replied that Program funding had not been used to supplant existing State or local funds.


In our draft report, we recommended that LA County: (1) submit final Financial Status Reports that include actual expenditures with no outstanding obligations for reporting periods ended August 30, 2000 and 2001 and ensure that, in the future, final Financial Status Reports are submitted for reporting periods required by CDC; and (2) implement the subrecipient monitoring procedures as planned and address problem areas, as they are identified. In written comments to our draft report, LA County officials concurred with our recommendations.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Your formal response to the draft report was summarized in the body of our final report and included in its entirety as an appendix. In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.) As such, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

To facilitate identification, please refer to Report Number A-09-03-01022 in all correspondence relating to this report.

Sincerely,



Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosures

HHS Action Official:

Joseph E. Salter, Director
Management Procedures Branch
Management Analysis and Services Office
Centers for Disease Control and Prevention
1600 Clifton Road, N.E., MS E-11
Atlanta, Georgia 30333

Department of Health and Human Services

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REGION IX

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

OBJECTIVES

Our objectives were to determine whether the Los Angeles County Department of Health Services (LA County): (i) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements and (ii) established controls and procedures to monitor subrecipients' expenditures of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether bioterrorism program (Program) funding was used to supplant funds previously provided by other sources.

FINDINGS

Based on our validation of the questionnaire completed by LA County, we determined that LA County generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines. Although LA County recorded and summarized transactions by specific focus area, LA County did not properly report the Program expenditures to CDC for the two reporting periods ended August 30, 2000 and 2001. Specifically, the Financial Status Reports filed by LA County included amounts disbursed throughout the year and amounts obligated at year-end even though final Financial Status Reports should show actual amounts expended with no outstanding obligations.

LA County had established a system to track and monitor subrecipient activities, developed checklists for monitoring subrecipients, and trained staff to perform the reviews. However, at the time of our site review, no reviews had been made because the subrecipients were generally in the planning stage. LA County officials told us it had scheduled site visits to its subrecipients to begin in August 2003.

In response to our inquiry as to whether LA County reduced funding to existing public health programs, LA County officials replied that Program funding had not been used to supplant existing State or local funds.

RECOMMENDATIONS

We recommend that LA County:

- Submit final Financial Status Reports that include actual expenditures with no outstanding obligations for reporting periods ended August 30, 2000 and 2001 and ensure that, in the future, final Financial Status Reports are submitted for reporting periods required by CDC.
- Implement the subrecipient monitoring procedures as planned and address problem areas, as they are identified.

LA COUNTY'S COMMENTS

LA County officials concurred with our findings and recommendations. The complete text of LA County's written comments is included as an appendix to this report.

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INTRODUCTION

BACKGROUND

The Program

The Centers for Disease Control and Prevention (CDC) was designated as the entity responsible for the program to improve State and other eligible entity preparedness and response capabilities for bioterrorism and other public health emergencies. The program is referred to as the Public Health Preparedness & Response to Bioterrorism Program (Program). This Program is authorized under Sections 301(a), 317(k)(1)(2), and 319 of the Public Health Service Act [42 U.S.C. sections 241(a), 47b(k)(1)(2), and 247(d)]. The U.S. Code states, in part:

The Secretary may make grants to States, political subdivisions of States, and other public and nonprofit private entities for – (A) research into the prevention and control of diseases that may be prevented through vaccination; (B) demonstration projects for the prevention and control of such diseases; (C) public information and education programs for the prevention and control of such diseases; and (D) education, training, and clinical skills improvement activities in the prevention and control of such diseases for health professionals (including allied health personnel)....

The CDC, under Program Announcement 99051, initiated a cooperative agreement program to fund States and major local public health departments to help upgrade their preparedness and response capabilities in the event of a bioterrorist act.

Annual Program Funding

Years 1 and 2 of the Program covered the period August 31, 1999 through August 30, 2000 and 2001, respectively. Annual funding totaled \$40.7 million and \$41.9 million. Although Year 3 covered the period August 31, 2001 through August 30, 2002, it was extended through August 30, 2003 with funds totaling \$49.9 million. During Year 3 of the Program, Congress authorized about \$918 million in supplemental funds under Public Law 107-117 (Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002.) The funds were available on February 19, 2002 and were awarded to States and major local public health departments, under Program Announcement 99051 - Emergency Supplemental. Of the awarded amount, 20 percent was available to grantees for immediate use. The remaining 80 percent for each grantee was restricted until CDC approved the required work plans.

Focus Areas

Applicants requested support for activities under one or more of the following focus areas:

- Focus Area A - Preparedness Planning and Readiness Assessment
- Focus Area B - Surveillance and Epidemiology Capacity

Focus Area C - Laboratory Capacity - Biologic Agents
Focus Area D - Laboratory Capacity - Chemical Agents
Focus Area E - Health Alert Network/Communications and Information Technology

In Year 3, the CDC added two new focus areas, as follows:

Focus Area F - Communicating Health Risks and Health Information Dissemination
Focus Area G - Education

Eligible Recipients

Grant recipients included all 50 States, the District of Columbia, the commonwealths of Puerto Rico and the Northern Marianas Islands, American Samoa, Guam, the U.S. Virgin Islands, the republics of Palau and the Marshall Islands, the Federated States of Micronesia, and the nation's three largest municipalities (New York, Chicago, and Los Angeles County). Those eligible applicants included the health departments of States or their bona fide agents. Applicants were encouraged to apply for funds in all focus areas.

LA County Funding

For Los Angeles County Department of Health Services (LA County), its funding increased from \$784,958 in Year 1 to \$1,199,864 in Year 3. Years 1 and 2 were 1-year agreements; however, in year 3 the funding was extended to cover a 2-year period from August 31, 2001 through August 30, 2003 to accommodate the use of supplemental funding as authorized by Congress. LA County received additional emergency funding of \$24,591,171. The unobligated fund balance of \$301,622 from Year 1 was carried forward to Year 2 (\$286,398) and Year 3 (\$15,224). The following schedule summarizes funding by year, through June 30, 2003.

SUMMARY OF FUNDING

Year/Description	Awarded	Expended	Obligated	Unobligated
1 / Funding	\$784,958	\$305,810	\$177,526	\$301,622
2 / Funding (A)	748,297	778,343	241,133	(271,179)
3 / Total 2-Year Base Award (B)	1,199,864	763,342	86,933	349,589
3 / Total Emergency Funds (C)	<u>24,591,171</u>	<u>4,462,568</u>	<u>19,454,699</u>	<u>673,904</u>
3 / Year 3 Total Funding	25,791,035	5,225,910	19,541,632	1,023,493
TOTAL	\$27,324,290	\$6,310,063	\$19,960,291	\$1,053,936

(A) Amount awarded excludes \$286,398 of funds carried over from Year 1.

(B) Amount awarded excludes \$15,224 of funds carried over from Year 1.

(C) Additional Emergency supplemental funds awarded for Year 3.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

Our objectives were to determine whether LA County: (i) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements and (ii) established controls and procedures to monitor subrecipients' expenditures of CDC funds. In addition, we inquired as to whether Program funding was used to supplant funds previously funded by other sources.

Scope

Our review included an examination of LA County's policies and procedures, financial reports, and accounting transactions during the period August 31, 1999 through June 30, 2003.

Our review was limited in scope and conducted for the purpose described above and would not necessarily disclose all material weaknesses. Accordingly, we do not express an opinion on the system of internal accounting controls. In addition, we did not determine whether costs charged to the Program were allowable.

Methodology

We developed a questionnaire to address the objectives of the review. The questionnaire covered five areas: (i) the grantee organization, (ii) funding, (iii) accounting for expenditures, (iv) other organizational bioterrorism activities, and (v) subrecipients of grant funds. Prior to our fieldwork, we provided the questionnaire for LA County officials to complete. During our site visit, we interviewed LA County officials and obtained supporting documentation to validate the responses on the questionnaire.

Fieldwork was conducted during May through July 2003. Our work included a site visit to LA County offices in the City of Commerce, California. Our review was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Based on our validation of the questionnaire completed by LA County, we found that LA County generally accounted for the Program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines. Although LA County recorded and summarized transactions by specific focus area, LA County did not properly report the Program expenditures to CDC for the two reporting periods ended August 30, 2000 and 2001. Specifically, the Financial Status Reports filed by LA County included amounts disbursed throughout the year and amounts obligated at year-end even though final Financial Status Reports should show actual amounts expended with no outstanding obligations.

LA County established a system to track and monitor subrecipient activities, developed checklists for monitoring subrecipients, and trained staff to perform the reviews. However, at the time of our site review, no reviews had been made because the subrecipients were generally in the planning stage. LA County officials told us it had scheduled site visits to its subrecipients to begin in August 2003.

In response to our inquiry as to whether LA County reduced funding to existing public health programs, LA County officials replied that Program funding had not been used to supplant existing State or local funds.

ACCOUNTING FOR EXPENDITURES

Accurate and complete accounting of Program funds provides CDC with a means to measure the extent that the Program is being implemented and objectives are being met. In that regard, recipients of Program grant funds are required to track expenditures by focus area. Note 4 of the Technical Reporting Requirements of the original cooperative agreement, states:

To assure proper reporting and segregation of funds for each focus area, Financial Status Reports ... which reflect the cooperative agreement number assigned to the overall project must be submitted for individual focus areas...

LA County had procedures in place to identify and segregate costs by focus area. Staff reviewed each transaction charged to the overall bioterrorism cost center and based on determinations made by focus area managers, the costs were assigned to the appropriate focus areas.

Although LA County had submitted Financial Status Reports to CDC for the two reporting periods ended August 30, 2000 and 2001 which the County considered final, the reports were not final. The Financial Status Reports filed by LA County included amounts disbursed throughout the year and amounts obligated at year-end. However, final Financial Status Reports should show actual amounts expended with no outstanding obligations. CDC confirmed that the Financial Status Reports it has on file from LA County for the two reporting periods ended August 30, 2000 and 2001 were not final. LA County should submit final Financial Status Reports that include actual expenditures with no outstanding obligations for these periods and ensure that future required Financial Status Reports are submitted for reporting periods required by CDC.

SUBRECIPIENT MONITORING

Recipients of the Program funds were required to monitor their subrecipients. The Public Health Service Grants Policy Statement requires that “grantees employ sound management practices to ensure that program objectives are met and that project funds are properly spent.” In addition, Public Health Service policy states that grant requirements apply to subgrantees and contractors under the grants:

Where subgrants are authorized by the awarding office through regulations, program announcements, or through the approval of the grant application, the

information contained in this publication also applies to subgrantees.... The information would also apply to cost-type contractors under grants....

LA County officials explained that they had established a system to track and monitor subrecipient activities, developed checklists for monitoring subrecipients, and trained staff to perform the reviews. However, no reviews had been made at the time of our site visit because the subrecipients were generally in the planning stage. LA County officials thought site visits would be premature before June and had scheduled site visits to its subrecipients to begin in August 2003. Although LA County had not completed any site visits, we believe that LA County's plan, once fully implemented, should provide adequate monitoring and oversight of its subrecipients.

SUPPLANTING

The purpose of Program funds, original and supplemental, was to augment current funding and to focus on public health preparedness activities under the CDC cooperative agreement. The funds were not to be used to supplant existing Federal, State, or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure within the jurisdiction. Program Announcement 99051 states that "Cooperative agreement funds under this program may not be used to replace or supplant any current State or local expenditures."

In response to our inquiry as to whether LA County reduced funding to existing public health programs, LA County officials replied that Program funding had not been used to supplant existing State or local funds.

RECOMMENDATIONS

We recommend that LA County:

- Submit final Financial Status Reports that include actual expenditures with no outstanding obligations for reporting periods ended August 30, 2000 and 2001 and ensure that, in the future, final Financial Status Reports are submitted for reporting periods required by CDC.
- Implement the subrecipient monitoring procedures as planned and address problem areas, as they are identified.

LA COUNTY'S COMMENTS

LA County officials concurred with our findings and recommendations. The complete text of LA County's written comments is included as an appendix to this report.

OIG'S RESPONSE

LA County's response to our report was well considered and provides a clear statement of corrective actions to be taken in response to the recommendations included in our report. LA County must continue to work towards implementing our recommendations.

APPENDIX



**COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
Public Health**

THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operations Officer

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September 15, 2003



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Lori A. Ahlstrand
Regional Inspector General for Audit Services
Office of Audit Services
Region IX
50 United Nations Plaza, Room 171
San Francisco, CA 94102

Dear Ms. Ahlstrand:

We recently received the draft report number A-09-03-01022 titled "Los Angeles County's Efforts to Account for the Use of Public Health Preparedness and Response to Bioterrorism Program Funds and Monitoring of Subrecipients."

We have reviewed the recommendations and have implementation steps to report. We have contacted the Centers for Disease Control to clarify their needs in the finalized Financial Status Report. We are in agreement that Los Angeles will submit a final FSR for Fiscal Year 1999-2000 and 2000-2001 so we are fully compliant with all guidelines and regulations. Current and upcoming Financial Status Reports will also be consistent with these guidelines and regulations.

Contract monitoring has been implemented as planned and the first year survey was recently completed in August, 2003. Reports are available on file.

If you have any questions or need additional information, please contact Sharon Grigsby, Executive Director, Bioterrorism Preparedness Program at (213) 240-8121. We appreciate the thoroughness and professionalism of your staff in the conduct of the audit.

Sincerely,

Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:SFG:lg

c: Jonathan E. Fielding, M.D., M.P.H.
John F. Schunhoff, Ph.D.
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ACKNOWLEDGMENTS

This report was prepared under the direction of Lori Ahlstrand, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

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For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.